

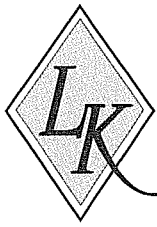
IMLAY CITY COMMUNITY SCHOOLS

IMLAY CITY, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 23, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Imlay City Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Imlay City Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated July 23, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - X and 19 - 21 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Imlay City Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

-I-

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Imlay City Community Schools, a K-12 school District located in Lapeer County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Imlay City Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Imlay City Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2004 and 2003:

NET ASSETS SUMMARY

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets	\$13,710,626	\$6,734,835
Non-Current Assets	<u>25,407,577</u>	<u>23,463,991</u>
<u>TOTAL ASSETS</u>	<u>\$39,118,203</u>	<u>\$30,198,826</u>
<u>LIABILITIES</u>		
Current Liabilities	\$3,399,036	\$2,263,641
Long-Term Liabilities	<u>32,600,630</u>	<u>26,013,266</u>
Total Liabilities	\$35,999,666	\$28,276,907
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	(2,293,914)	(3,001,449)
Restricted - Debt Retirement	1,570,833	1,601,031
Unrestricted	<u>3,841,618</u>	<u>3,322,337</u>
Total Net Assets	<u>\$3,118,537</u>	<u>\$1,921,919</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$39,118,203</u>	<u>\$30,198,826</u>

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2004 and 2003, the District wide results of operations were:

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,782,639	\$2,026,845
Property Taxes Levied for Debt Service	1,939,128	652,772
State of Michigan Unrestricted Foundation Aid	13,213,791	12,973,303
Gain on Sale of Assets	1,017,553	0
Other General Revenues	<u>227,659</u>	<u>228,092</u>
Total General Revenues	\$18,180,770	\$15,881,012
<u>Operating Grants:</u>		
Federal	1,072,367	935,473
State of Michigan	1,141,528	965,908
Other Grants	<u>78,859</u>	<u>44,257</u>
Total Operating Grants	\$2,292,754	\$1,945,638
<u>Charges for Services:</u>		
Food Service	335,468	322,751
Athletics	77,577	66,673
Special Education Consortium	214,673	324,228
Other Charges for Services	<u>138,578</u>	<u>183,992</u>
Total Charges for Services	\$766,296	\$897,644
Total Revenues	\$21,239,820	\$18,724,294
<u>EXPENSES</u>		
Instruction & Instructional Support	10,553,595	9,747,551
Support Services	6,195,357	6,100,788
Community Services	69,886	108,928
Food Service	773,168	734,591
Athletics	485,721	448,154
Interest on Long-Term Debt	1,440,493	653,857
Depreciation	<u>524,982</u>	<u>524,982</u>
Total Expenses	\$20,043,202	\$18,318,851
<u>INCREASE IN NET ASSETS</u>	\$1,196,618	\$405,443
<u>BEGINNING NET ASSETS</u>	<u>1,921,919</u>	<u>1,516,476</u>
<u>ENDING NET ASSETS</u>	<u><u>\$3,118,537</u></u>	<u><u>\$1,921,919</u></u>

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets increased by \$1,196,618 to a total of \$3,118,537. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$707,535 during the year due to purchases of new capital assets and principal payments on related debt exceeded depreciation. The districts Unrestricted Net Assets increased by \$519,281 during the year and the restricted portion of the net assets decreased by \$30,198. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$1,196,618. The total revenues increased by \$2,515,526. The major changes were a gain on the sale of assets of \$1,017,553 and an increase in property tax revenue levied for the retirement of the 2003 capital project fund bonds. Expenses increased by \$1,724,351. Major changes were additional interest expense on the 2003 debt and wage and benefit increases.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$443,188 during the year with the increase coming primarily from an increase in cash. Revenues and other financing sources for the year increased by \$1,135,473 primarily from a gain on the sale of assets of \$1,017,553. Expenditures and other financing uses increased by \$1,019,804, primarily was due to the purchase of land and construction costs for Venture Alternative High School. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Imlay City Community Schools foundation allowance was \$6,700 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of an executive order by the governor.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2003-2004 was 2,315 students. An increase of 46 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.8375 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$1,782,639. A decrease of \$244,206 from the prior year. The decrease was caused by a Headlee millage rate reduction of 1.48% and last years collection of delinquent personal property taxes from the bankruptcy of Vlasic.

Capital Projects Fund

The district's Capital projects fund balance increased by \$5,617,492. The primary source of revenue was the voter-approved bond proceeds of \$7,635,000. Expenditures, which are restricted for construction projects, were \$2,077,590 for the year. On April 28, 2003 the voters of the District approved the issuance of the 2003 School Building and Site Bonds which will be used for construction and technology projects at its elementary, middle school and high school buildings and other facilities.

Debt Retirement Fund

The districts debt retirement fund balance decreased by \$30,198. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$1,980,658 in paying the required interest and principal payments of the school's bonded debt. The majority of the fund's revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2003-2004, the District's debt millage levy was 6.0635 mills that generated revenue of \$1,939,128. An increase of \$1,286,356 from the prior year. The increase in property tax revenue was due to the additional tax levy for the newly issued 2003 Building and Site Bonded Debt.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$31,748. Food service fund revenue increased by \$35,684, primarily from increased federal reimbursements. Athletic fund revenue increased by \$37,568, primarily from an increase in transfers from the general fund.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

MAJOR FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$16,760,021	\$18,019,337	\$18,351,912	7.51	1.85
Expenditures	17,358,261	18,158,198	17,908,724	4.61	1.37
<u>TOTAL</u>	<u>(\$598,240)</u>	<u>(\$138,861)</u>	<u>\$443,188</u>		

DEBT RETIREMENT FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$1,822,806	\$1,951,448	\$1,950,460	0.00	(0.05)
Expenditures	2,076,831	1,971,383	1,980,658	0.00	(0.47)
<u>TOTAL</u>	<u>(\$254,025)</u>	<u>(\$19,935)</u>	<u>(\$30,198)</u>		

CAPITAL PROJECTS FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$7,635,000	\$7,635,000	\$7,695,082	0.00	0.79
Expenditures	1,712,550	1,712,550	2,077,590	0.00	(21.32)
<u>TOTAL</u>	<u>\$5,922,450</u>	<u>\$5,922,450</u>	<u>\$5,617,492</u>		

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Imlay City Community Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. Significant items affecting the budgets for the fiscal year were:

General Fund:

- Original vs. Final Budgets

- Revenues – Significant items affecting Original vs. Final revenue estimates include:

- Venture High School property located on Cedar Street was sold during the fiscal year accounting for a \$1,007,553 variance in the “Sale of Fixed Assets” account.

- Other notable positive variances include:

- A refund from Blue Cross Blue Shield for health insurance premiums of \$91,814 in response to a favorable experience rating.

- Student enrollment increases at the beginning of the fiscal year were estimated at 15 students, the actual blended count was 40.81 students.

- At Risk funding increased due to an increase in students participating in the Free and Reduced Lunch Program.

- The notable negative variance is the reduction in School Aid in the form of a proration on a per pupil basis. The proration reduced Imlay City Community School’s funding by \$194,412.12. The proration was due to the estimated school aid fund shortfall which equaled a per pupil reduction of \$74.

- Expenditures – Significant items affecting the variance between the Original Budget and the Final budget was the \$1,017,553 allocated for the purchase and renovation of the Almont Avenue location for Venture High School.

- Final Budget vs. Actual Results

- Revenues – Significant differences between the Final vs. Actual budget were due to the 2003 Prior Year Adjustments for the Special Education Headlee Obligation and the 2002 Proposal A Obligation. Also, the June State Aid payment reflected the adjusted Proposal A Obligation based on the adjusted 2003 tax year non homestead taxable value data provided by the county, resulting in a \$45,291.00 increase in State Aid.

- Expenditures –Significant items affecting the variance between the Final vs. Actual Budget were the final estimates of teacher’s salaries and electricity use. Teacher’s salaries were over estimated in anticipation of adding staff, and in the decreased number of teaching staff earning salary increases with degree changes. The variance in the electricity charges were due in part to our participation in the MISEC-Michigan Schools Energy Cooperative.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ANALYSIS OF BUDGETS: (Continued)

Debt Retirement Fund:

- Original vs. Final Budgets – No variations
- Final Budget vs. Actual Results – No significant variations

Capital Projects Fund:

- Original vs. Final Budgets – No variations
- Final Budget vs. Actual Results
 - Revenues – No significant variations
 - Expenditures – Variance due to additional billing on construction projects received after final budget amendment was approved.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-03	Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
Bonds Payable	\$25,523,673	\$7,635,000	\$688,291	\$32,470,382
Notes Payable	941,767	0	93,166	848,601
Retirement Incentives	98,611	0	98,611	0
Compensated Absences	219,882	1,140	0	221,022
<u>Total Long-Term Debt</u>	<u>\$26,783,933</u>	<u>\$7,636,140</u>	<u>\$880,068</u>	<u>\$33,540,005</u>

Significant transactions for the year besides the payment of required principal and interest payments was the issuance of voter-approved bonds in the amount of \$7,635,000 for the 2003 Capital Projects Fund and the final payment on the retirement incentive plan.

IMLAY CITY COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Capital Assets

The district's net investment in capital assets decreased by \$98,900 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$32,727,859	\$1,077,399	\$532,721	\$33,272,537
Less: Accumulated Depreciation	(9,263,868)	(735,056)	(91,478)	(9,907,446)
<u>Net Investment Capital Assets</u>	<u>\$23,463,991</u>	<u>\$342,343</u>	<u>\$441,243</u>	<u>\$23,365,091</u>

Major additions for the year included land acquisition and construction of the new Venture Alternative High School and the addition of 1 new bus.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Imlay City Community Schools.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

	Governmental Activities	
	2004	2003
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$4,688,024	\$4,157,012
Investments	6,395,615	0
Accounts Receivable	1,581	22,971
Taxes Receivable	0	1,611
Due from Other Governmental Units	2,609,675	2,532,079
Inventory	11,237	18,948
Prepaid Expenses	4,494	2,214
Total Current Assets	\$13,710,626	\$6,734,835
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	2,042,486	0
Capital Assets	33,272,537	32,727,859
Less: Accumulated Depreciation	(9,907,446)	(9,263,868)
Total Noncurrent Assets	\$25,407,577	\$23,463,991
<u>TOTAL ASSETS</u>	\$39,118,203	\$30,198,826
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	1,055,154	115,374
Due to Other Governmental Units	0	34,894
Due to Student Groups	0	91
Due to Internal Funds	0	155
Salaries Payable	962,991	950,199
Accrued Expenses	441,516	389,923
Deferred Revenue	0	2,338
Current Portion of Long-Term Obligations	939,375	770,667
Total Current Liabilities	\$3,399,036	\$2,263,641
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	32,600,630	26,013,266
<u>TOTAL LIABILITIES</u>	\$35,999,666	\$28,276,907
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	(2,293,914)	(3,001,449)
Restricted for:		
Debt Retirement	1,570,833	1,601,031
Unrestricted	3,841,618	3,322,337
<u>TOTAL NET ASSETS</u>	\$3,118,537	\$1,921,919

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENTS OF ACTIVITIES
JUNE 30, 2004 AND 2003

FUNCTIONS/PROGRAMS	2004			2003
	Expenses	Program Revenues		Net (Expense)
		Charges For	Operating	Revenue &
		Services	Grants and	Change in
			Contributions	Net Assets
Governmental Activities:				Net (Expense)
Instruction	\$10,553,595	\$0	\$1,768,736	Revenue &
Support Services	6,195,357	353,251	78,859	Change in
Community Services	69,886	0	0	Net Assets
Food Service	773,168	335,468	445,159	
Athletics	485,721	77,577	0	
Interest - Long-Term Obligations	1,440,493	0	0	
Depreciation - Unallocated	524,982	0	0	
<u>TOTALS</u>	<u>\$20,043,202</u>	<u>\$766,296</u>	<u>\$2,292,754</u>	<u>(\$16,984,152)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				3,721,767
State Aid				13,213,791
Grants and Contributions Not Restricted to				
Specific Programs				22,877
Investment Earnings				102,898
Gain on Sale of Assets				1,017,553
Miscellaneous				101,884
Total General Revenues and Transfers				<u>\$18,180,770</u>
Change in Net Assets				<u>\$1,196,618</u>
Net Assets - Beginning - As Restated				<u>1,921,919</u>
<u>Net Assets - Ending</u>				<u>\$3,118,537</u>
				<u>\$1,921,919</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Debt	2003	Other	Total
	Fund	Retirement	Capital	Governmental	Governmental
<u>ASSETS</u>		Fund	Projects Fund	Funds	Funds
Cash and Cash Equivalents	\$2,584,805	\$1,581,225	\$62,066	\$459,928	\$4,688,024
Investments	0	0	6,395,615	0	6,395,615
Accounts Receivable	1,345	0	0	236	1,581
Due from Other Governmental Units	2,607,367	0	0	2,308	2,609,675
Due from Other Funds	120,554	0	0	13,295	133,849
Inventory	0	0	0	11,237	11,237
Prepaid Expenses	4,494	0	0	0	4,494
<u>TOTAL ASSETS</u>	<u>\$5,318,565</u>	<u>\$1,581,225</u>	<u>\$6,457,681</u>	<u>\$487,004</u>	<u>\$13,844,475</u>
<u>LIABILITIES</u>					
Accounts Payable	\$214,640	\$0	\$840,189	\$325	\$1,055,154
Due to Other Funds	0	10,392	0	123,457	133,849
Salaries Payable	962,991	0	0	0	962,991
Accrued Expenses	192,689	0	0	0	192,689
Total Liabilities	\$1,370,320	\$10,392	\$840,189	\$123,782	\$2,344,683
<u>FUND BALANCES</u>					
Reserved For:					
Inventory	0	0	0	11,237	11,237
Debt Retirement	0	1,570,833	0	0	1,570,833
Capital Projects	0	0	5,617,492	0	5,617,492
Unreserved:					
Undesignated, Reported In:					
General Fund	3,948,245	0	0	0	3,948,245
School Service Funds	0	0	0	351,985	351,985
Total Fund Balances	\$3,948,245	\$1,570,833	\$5,617,492	\$363,222	\$11,499,792
<u>TOTAL LIABILITIES AND</u> <u>FUND BALANCES</u>	<u>\$5,318,565</u>	<u>\$1,581,225</u>	<u>\$6,457,681</u>	<u>\$487,004</u>	<u>\$13,844,475</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:		\$11,499,792
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$32,272,537 and the accumulated depreciation is \$9,907,456		23,365,091
Construction in Progress		2,042,486
Accrued Interest on Long-Term Debt		(248,827)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$32,470,382	
Notes Payable	848,601	
Compensated Absences Payable	221,022	
Total Long-Term Liabilities		<u>(33,540,005)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$3,118,537</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Debt	2003	Other	Total
	Fund	Retirement	Capital	Governmental	Governmental
<u>REVENUES</u>		Fund	Projects Fund	Funds	Funds
Local Sources	\$2,045,345	\$1,950,460	\$60,082	\$432,207	\$4,488,094
State Sources	14,319,929	0	0	35,390	14,355,319
Federal Sources	662,598	0	0	409,769	1,072,367
Total Revenues	\$17,027,872	\$1,950,460	\$60,082	\$877,366	\$19,915,780
<u>EXPENDITURES</u>					
Current:					
Instruction	10,583,208	0	0	0	10,583,208
Student Services	816,234	0	0	0	816,234
Instructional Support	793,495	0	0	0	793,495
General Administration	378,166	0	0	0	378,166
School Administration	1,247,608	0	0	0	1,247,608
Business Administration	218,219	0	0	0	218,219
Operation & Maintenance of Plant	1,480,854	0	0	0	1,480,854
Transportation	1,215,939	0	0	0	1,215,939
Support Services - Other	202,406	0	0	0	202,406
Community Services	69,886	0	0	0	69,886
Food Service & Athletics	0	0	0	1,227,912	1,227,912
Debt Service					
Principal	0	593,290	0	0	593,290
Interest	0	1,377,042	0	0	1,377,042
Dues and Fees	0	1,025	0	0	1,025
Other	0	9,301	0	0	9,301
Capital Outlay	0	0	2,077,590	0	2,077,590
Total Expenditures	\$17,006,015	\$1,980,658	\$2,077,590	\$1,227,912	\$22,292,175
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$21,857	(\$30,198)	(\$2,017,508)	(\$350,546)	(\$2,376,395)
<u>OTHER FINANCING SOURCES (USES)</u>	421,331	0	7,635,000	382,294	8,438,625
Net Change in Fund Balance	\$443,188	(\$30,198)	\$5,617,492	\$31,748	\$6,062,230
<u>FUND BALANCE - BEGINNING</u>	3,505,057	1,601,031	0	331,474	5,437,562
<u>FUND BALANCE - ENDING</u>	\$3,948,245	\$1,570,833	\$5,617,492	\$363,222	\$11,499,792

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	\$6,062,230
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(98,900)
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Construction in Progress	2,042,486
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Proceeds from Bonds	(7,635,000)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	781,456
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Change in accrued interest on long-term liabilities	(53,125)
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Decrease in accrued compensated absences	<u>97,471</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$1,196,618</u>
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IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$171,934</u>
<u>TOTAL ASSETS</u>	<u><u>\$171,934</u></u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$171,934</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$171,934</u></u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Imlay City Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	8 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Undeposited Cash – At June 30, 2004, the School District had \$905 of petty cash on hand which is included as part of "cash and cash equivalents."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: First of America, Citizens Commercial & Savings Bank, Lapeer County Bank & Trust, Capac State Savings Bank, Fifth Third Bank, MILAF, and Citizens First Savings Bank. The Board also authorized the business office to invest funds with financial institutions that gave the maximum interest rate of return upon receipt of quotes.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$4,859,153 and the bank balance was \$5,435,841. \$510,504 of the bank balance was covered by federal depository insurance and \$4,925,337 was uninsured and uncollateralized.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

Investments, categorized by level of risk at June 30, 2004, are as follows:

	<u>BANK BALANCE</u>
<u>Category 2</u>	
Capital Projects Fund	<u>\$ 6,395,615</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,590,362
Federal Grants	108
Other Grant Programs & Fees	<u>19,205</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 2,609,675</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the School District had \$2,465.76 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,000,000 at 1.02% interest per annum on August 20, 2003, from Bank One on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid May, 2004.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$29,242,362	\$889,793	\$157,721	\$29,974,434
Land	1,444,000	53,900	375,000	1,122,900
Equipment and Furniture	712,470	69,459	0	781,929
Vehicles	1,329,027	64,247	0	1,393,274
Totals at Historical Cost	<u>\$32,727,859</u>	<u>\$1,077,399</u>	<u>\$532,721</u>	<u>\$33,272,537</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(8,062,817)	(598,343)	(91,478)	(8,569,682)
Land	0	0	0	0
Equipment and Furniture	(324,770)	(37,503)	0	(362,273)
Vehicles	(876,281)	(99,210)	0	(975,491)
Total Accumulated Depreciation	<u>(\$9,263,868)</u>	<u>(\$735,056)</u>	<u>(\$91,478)</u>	<u>(\$9,907,446)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$23,463,991</u>	<u>\$342,343</u>	<u>\$441,243</u>	<u>\$23,365,091</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 67,858
Support Services	111,239
Food Service	6,705
Athletics	24,272
Unallocated	<u>524,982</u>

TOTAL DEPRECIATION EXPENSE \$ 735,056

Investment in capital assets – net of related debt consists of the following:

Construction in Progress	\$ 2,042,486
Capital Assets	33,272,537
Less: Accumulated Depreciation	(9,907,446)
Less: Long-Term Liabilities	(33,540,005)
Vacation & Sick Days Payable	221,022
Capital Projects Fund Equity	<u>5,617,492</u>
<u>TOTAL</u>	<u>\$ (2,293,914)</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$81,292 and the School District received a dividend refund of \$14,921.

11) LONG-TERM LIABILITIES

A) BOND ISSUES

1991 Capital Acquisition Bonds

The bonds were issued November 26, 1991, for capital improvements. The bonds mature serially through May 1, 2006, at varying principal amounts. Interest rates on the bonds range from 6.65% to 8.25% per annum. The balance of the bonds at June 30, 2004, was \$1,057,531.

1994 Refunding Bonds

The bonds were issued February 1, 1994, to advance refund a portion of the 1991 Capital Acquisition Bonds. The bonds mature serially through May 1, 2017, at varying principal amounts. Interest rates on the bonds range from 4.90% to 5.40% per annum. The balance of the bonds at June 30, 2004, was \$15,755,000.

1997 Refunding Bonds

The bonds were issued January 1, 1997, to advance refund a portion of the 1991 Building and Site Bonds. The bonds mature serially through May 1, 2021, at varying principal amounts. Interest rates on the bonds range from 5.00% to 5.70% per annum. The balance of the bonds at June 30, 2004, was \$7,400,000.

Durant Resolution Package Bonds

Imlay City Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$325,344 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$207,851. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

1999 Energy Conservation Improvements Bonds

Imlay City Community Schools issued Local Government Loan Program Revenue Bonds, Series 1999C for Energy Conservation Improvements on June 24, 1999, in the amount of \$985,000. The bonds mature serially through May 1, 2009 at varying principal amounts. Interest rates on the bonds range from 4.250% to 8.440% per annum. The balance of the bonds at June 30, 2004 was \$550,000.

2003 General Obligation Building & Site Bonds

Imlay City Community Schools has issued General Obligation Bonds dated September 1, 2003, in the amount of \$7,635,000, bearing interest at rates varying from 2.00% to 5.00% per annum. The balance of the bonds as of June 30, 2004 was \$7,500,000.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

B) NOTES

Land Contract

The District is indebted on a land contract payable to Citizens First Savings Bank for the purchase of vacant land. The land contract calls for an annual principal payment of \$66,000, plus interest at 5.10% per annum. The balance at June 30, 2004 was \$751,608.

Bus Notes

The District is indebted to National City Bank for two bus loans. The loans call for annual principal payments, plus interest at 5.18% per annum. The loans mature on July 13, 2005. The balance at June 30, 2004 was \$29,096 and \$16,033.

The District is indebted to Lapeer County Bank & Trust for a bus note. The District used this note to purchase two buses. The loan calls for annual principal payments, plus interest at 3.8% per annum. The loan matures on July 10, 2005. The balance at June 30, 2004 was \$51,864.

C) RETIREMENT INCENTIVE

The District is indebted to Educators Preferred Corporation (EPC) for the payment of retirement incentives granted to employees in 1999. The 1999 employee group debt calls for one payment of \$163,462, three annual payments of \$110,900 and one final payment of \$98,611. The balance as of June 30, 2004 was \$0.

D) CHANGES IN GENERAL LONG-TERM DEBT

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2003	ADDITIONS	DEDUCTIONS	JUNE 30, 2004	IN ONE YEAR
Bond Issues	\$25,523,673	\$7,635,000	\$688,291	\$32,470,382	\$792,587
Notes Payable	941,767	0	93,166	848,601	146,788
Retirement Incentive	98,611	0	98,611	0	0
Compensated Absences	219,882	1,140	0	221,022	0
<u>Total Governmental Activities</u>	<u>\$26,783,933</u>	<u>\$7,636,140</u>	<u>\$880,068</u>	<u>\$33,540,005</u>	<u>\$939,375</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

E) PRINCIPAL REPAYMENT SCHEDULES BY FISCAL YEARS ARE AS FOLLOWS:

	Bonds Payable	Notes Payable	Interest	TOTAL
June 30, 2005	\$792,587	\$146,788	\$1,539,925	\$2,479,300
June 30, 2006	835,692	107,813	1,639,018	2,582,523
June 30, 2007	951,494	66,000	1,198,510	2,216,004
June 30, 2008	1,102,283	66,000	1,566,879	2,735,162
June 30, 2009	1,178,106	66,000	1,572,595	2,816,701
June 30, 2010-2014	8,050,220	330,000	6,504,776	14,884,996
June 30, 2015-2019	11,365,000	66,000	3,880,327	15,311,327
June 30, 2020-2024	4,985,000	0	1,295,842	6,280,842
June 30, 2025-2029	1,855,000	0	618,588	2,473,588
June 30, 2030-2032	1,355,000	0	137,750	1,492,750
<u>TOTAL</u>	<u>\$32,470,382</u>	<u>\$848,601</u>	<u>\$19,954,210</u>	<u>\$53,273,193</u>

The payment dates of sick and vacation pay payable is undeterminable. The interest expenditures on long-term obligations for the year were \$1,229,231.

12) OPERATING LEASES

The District currently leases copier machines and a postage machine. The District pays a monthly rate plus a rate per copy. The minimum monthly payments and maturity dates are as follows:

	MONTHLY PAYMENT	MATURITY DATE
Copier – Borland Elementary	\$1,181.53	April, 2007
Copier – Weston Elementary	1,026.94	January, 2007
Copier – High School	1,513.97	March, 2007
Copier – Middle School	1,026.94	December, 2006
Copier – Admin	465.23	April, 2007
Copier – Venture	297.61	June, 2007
Postage Machine	699.79	January, 2007

The future minimum payments are as follows:

2005	\$ 74,544
2006	74,544
2007	26,696
2008	1,786
<u>TOTAL</u>	<u>\$ 177,570</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

DUE TO	DUE FROM		
	GENERAL	SPECIAL	
	FUND	REVENUE	TOTAL
General Fund	\$0	\$13,296	\$13,296
Special Revenue Fund	123,457	0	123,457
Debt Retirement Fund	10,392	0	10,392
<u>TOTAL</u>	<u>\$133,849</u>	<u>\$13,296</u>	<u>\$147,145</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL
	FUND
Athletics	<u>\$382,294</u>
<u>TOTAL</u>	<u>\$382,294</u>

These transfers were made to subsidized the cost of services for athletics.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$1,314,857, \$1,249,217 and \$1,155,923, respectively.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

15) DEFINED BENEFIT PENSION PLAN (Continued)

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principally of which are the Nutrition Cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2004, have been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENTS

The District has approved borrowing \$800,000 from the Michigan Municipal Bond Authority to meet cash flow needs for the 2004-2005 fiscal year. The Bonds will be issued and the interest rate determined in August, 2004.

REQUIRED
SUPPLEMENTARY
INFORMATION

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$1,954,669	\$1,901,691	\$2,045,345	\$143,654
State Sources	13,923,061	14,085,013	14,319,929	234,916
Federal Sources	640,831	713,363	662,598	(50,765)
Total Revenues	\$16,518,561	\$16,700,067	\$17,027,872	\$327,805
<u>EXPENDITURES</u>				
Current:				
Instruction	10,154,281	10,820,541	10,583,208	237,333
Student Services	889,710	826,168	816,234	9,934
Instructional Support	659,025	784,511	793,495	(8,984)
General Administration	381,826	377,702	378,166	(464)
School Administration	1,276,949	1,295,637	1,247,608	48,029
Business Administration	266,318	277,054	218,219	58,835
Operation & Maintenance of Plant	1,606,130	1,653,616	1,480,854	172,762
Transportation	1,147,695	1,134,003	1,215,939	(81,936)
Support Services - Other	182,229	199,568	202,406	(2,838)
Community Services	25,822	65,368	69,886	(4,518)
Total Expenditures	\$16,589,985	\$17,434,168	\$17,006,015	\$428,153
Excess of Revenues Over Expenditures	(\$71,424)	(\$734,101)	\$21,857	\$755,958
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	(\$598,420)	(\$138,861)	\$443,188	\$582,049
<u>FUND BALANCE - BEGINNING</u>			3,505,057	
<u>FUND BALANCE - ENDING</u>			\$3,948,245	

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT RETIREMENT FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,822,806	\$1,951,448	\$1,950,460	(\$988)
<u>EXPENDITURES</u>				
Principal	593,290	593,290	593,290	0
Interest	1,482,641	1,377,043	1,377,042	1
Dues and Fees	900	1,050	1,025	25
Other	0	0	9,301	(9,301)
Total Expenditures	<u>\$2,076,831</u>	<u>\$1,971,383</u>	<u>\$1,980,658</u>	<u>(\$9,275)</u>
Excess of Revenues Over Expenditures	(\$254,025)	(\$19,935)	<u>(\$30,198)</u>	(\$10,263)
<u>FUND BALANCE - BEGINNING</u>			<u>1,601,031</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,570,833</u>	

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
2003 CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$0	\$0	\$60,082	\$60,082
<u>EXPENDITURES</u>				
Capital Outlay	1,712,550	1,712,550	2,077,590	(365,040)
Excess of Revenues Over Expenditures	(\$1,712,550)	(\$1,712,550)	(\$2,017,508)	\$425,122
<u>OTHER FINANCING SOURCES</u>	7,635,000	7,635,000	7,635,000	0
Net Change in Fund Balance	\$5,922,450	\$5,922,450	\$5,617,492	\$425,122
<u>FUND BALANCE - BEGINNING</u>			0	
<u>FUND BALANCE - ENDING</u>			<u>\$5,617,492</u>	

OTHER SUPPLEMENTAL
INFORMATION

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$336,186	\$123,742	\$459,928
Accounts Receivable	236	0	236
Due from Other Governmental Units	2,308	0	2,308
Due from Other Funds	13,295	0	13,295
Inventory	11,237	0	11,237
<u>TOTAL ASSETS</u>	<u>\$363,262</u>	<u>\$123,742</u>	<u>\$487,004</u>
<u>LIABILITIES</u>			
Accounts Payable	\$40	\$285	\$325
Due to Other Funds	0	123,457	123,457
Total Liabilities	\$40	\$123,742	\$123,782
<u>FUND EQUITY</u>			
Fund Balance - Reserved for Inventory	11,237	0	11,237
Fund Balance - Unreserved and Undesignated	351,985	0	351,985
Total Fund Equity	\$363,222	\$0	\$363,222
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$363,262</u>	<u>\$123,742</u>	<u>\$487,004</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>Local Sources</u>			
Cafeteria Sales	\$335,468	\$0	\$335,468
Athletic Activities	0	77,061	77,061
Earnings on Investments	7,514	1,578	9,092
Other Local Revenue	10,070	516	10,586
Total Local Sources	\$353,052	\$79,155	\$432,207
<u>State Sources</u>			
State Reimbursements	35,390	0	35,390
<u>Federal Sources</u>			
Federal Reimbursements	409,769	0	409,769
Total Revenues	\$798,211	\$79,155	\$877,366
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	382,294	382,294
Total Revenues and Other Financing Sources	\$798,211	\$461,449	\$1,259,660
<u>EXPENDITURES</u>			
Salaries - Professional	48,574	51,641	100,215
Salaries - Non-Professional	197,739	219,328	417,067
Insurances	25,827	17,138	42,965
Fica, Retirement, Etc.	50,600	55,745	106,345
Other Benefits	1,200	1,800	3,000
Purchased Services	6,938	44,424	51,362
Supplies and Materials	354,271	8,627	362,898
Capital Outlay	75,475	47,388	122,863
Other	5,839	15,358	21,197
Total Expenditures	\$766,463	\$461,449	\$1,227,912
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$31,748</u>	<u>\$0</u>	<u>\$31,748</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$331,474</u>	<u>\$0</u>	<u>\$331,474</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$363,222</u>	<u>\$0</u>	<u>\$363,222</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>REVENUES FROM</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Local Sources</u>			
Property Tax Levy	\$1,740,091	\$1,782,639	\$42,548
Earnings on Investments and Deposits	20,000	22,392	2,392
Contributions	2,000	12,202	10,202
Tuition	6,500	7,062	562
Preschool	19,000	19,322	322
Child Care & Latchkey	21,100	22,716	1,616
Transportation	60,000	70,310	10,310
Rentals	18,000	19,168	1,168
Medicaid Reimbursement	0	71,722	71,722
Other Local Revenues	15,000	17,812	2,812
Total Revenues from Local Sources	\$1,901,691	\$2,045,345	\$143,654
<u>State Sources</u>			
Unrestricted State Aid Sec. 20	13,068,976	13,213,791	144,815
Headlee	534,017	605,323	71,306
Special Education	13,038	13,038	0
Durant	32,534	32,534	0
Driver Education	6,270	6,270	0
Adult Education	8,721	8,821	100
Preschool	59,400	75,900	16,500
Bilingual Program	9,831	13,078	3,247
Gifted and Talented - Sec. 57.3	263	0	(263)
At Risk Sec. 31a	351,963	351,174	(789)
Total Revenues from State Sources	\$14,085,013	\$14,319,929	\$234,916
<u>Federal Sources</u>			
Title I	229,538	229,538	0
Title V	1,823	1,823	0
Drug Free Schools	0	2,600	2,600
Technology Literacy Grant	5,549	4,028	(1,521)
Transition Services	0	280	280
Capacity Building	0	3,456	3,456
English Language Acquisition Grants	12,834	12,834	0
Migrant Programs	195,318	195,318	0
Improving Teacher Quality	115,994	105,118	(10,876)
IDEA Special Education	93,053	93,663	610
Preschool	12,482	12,482	0
Medicaid Outreach Administrative Claims	46,772	1,458	(45,314)
Total Revenues from Federal Sources	\$713,363	\$662,598	(\$50,765)
Total Revenues	\$16,700,067	\$17,027,872	\$327,805

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Districts	209,903	\$214,673	4,770
Sale of Fixed Assets	1,017,553	1,017,553	0
Refund of Prior Years Expenditures	91,814	91,814	0
Total Other Financing Sources	<u>\$1,319,270</u>	<u>\$1,324,040</u>	<u>\$4,770</u>
 <u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	 <u>\$18,019,337</u>	 <u>\$18,351,912</u>	 <u>\$332,575</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u>			
<u>Weston - Elementary</u>			
Salaries - Professional	\$1,231,525	\$1,314,055	(\$82,530)
Salaries - Non-Professional	81,502	67,630	13,872
Insurances	254,397	259,739	(5,342)
Fica, Retirement, Etc.	273,680	284,676	(10,996)
Other Benefits	8,100	7,500	600
Purchased Services	5,250	1,708	3,542
Supplies and Materials	51,500	43,179	8,321
Capital Outlay	5,000	945	4,055
Other	100	506	(406)
Total Weston - Elementary	\$1,911,054	\$1,979,938	(\$68,884)
<u>Borland - Elementary</u>			
Salaries - Professional	1,157,651	1,051,385	106,266
Salaries - Non-Professional	73,848	85,916	(12,068)
Insurances	257,428	218,221	39,207
Fica, Retirement, Etc.	256,470	232,889	23,581
Other Benefits	6,050	6,000	50
Purchased Services	2,300	2,622	(322)
Supplies and Materials	70,500	64,522	5,978
Capital Outlay	1,500	1,290	210
Other	350	97	253
Total Borland - Elementary	\$1,826,097	\$1,662,942	\$163,155
<u>Middle School</u>			
Salaries - Professional	1,195,010	1,230,608	(35,598)
Salaries - Non-Professional	85,569	81,792	3,777
Insurances	228,847	238,035	(9,188)
Fica, Retirement, Etc.	266,240	271,767	(5,527)
Other Benefits	4,500	3,150	1,350
Purchased Services	5,900	4,002	1,898
Supplies and Materials	49,800	44,795	5,005
Capital Outlay	14,800	14,328	472
Other	300	258	42
Total Middle School	\$1,850,966	\$1,888,735	(\$37,769)
<u>High School</u>			
Salaries - Professional	1,357,400	1,307,139	50,261
Salaries - Non-Professional	116,583	118,351	(1,768)
Insurances	317,100	309,306	7,794
Fica, Retirement, Etc.	306,344	295,497	10,847
Other Benefits	5,400	5,700	(300)
Purchased Services	23,545	21,627	1,918
Supplies and Materials	91,050	86,515	4,535
Capital Outlay	26,500	24,088	2,412
Other	3,300	2,354	946
Total High School	\$2,247,222	\$2,170,577	\$76,645

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>INSTRUCTION</u> (Continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u> (Continued)			
<u>Venture</u>			
Salaries - Professional	\$241,614	\$272,565	(\$30,951)
Salaries - Non-Professional	6,350	6,083	267
Insurance	41,210	52,876	(11,666)
Fica, Retirement, Etc.	51,311	57,649	(6,338)
Other Benefits	1,800	1,800	0
Purchased Services	6,215	5,280	935
Supplies and Materials	48,450	46,169	2,281
Capital Outlay	900,000	881,174	18,826
Total Venture	\$1,296,950	\$1,323,596	(\$26,646)
 <u>Preschool - Borland Elementary</u>			
Salaries - Professional	12,323	11,443	880
Salaries - Non-Professional	4,350	4,170	180
Fica, Retirement, Etc.	3,441	3,312	129
Purchased Services	150	30	120
Supplies and Materials	1,200	668	532
Other	150	165	(15)
Total Preschool - Borland Elementary	\$21,614	\$19,788	\$1,826
 <u>Total Basic Programs</u>	 \$9,153,903	 \$9,045,576	 \$108,327
 <u>ADDED NEEDS</u>			
<u>Special Education</u>			
Salaries - Professional	557,174	525,764	31,410
Salaries - Non-Professional	50,109	48,475	1,634
Insurances	130,745	116,064	14,681
Fica, Retirement, Etc.	126,895	119,371	7,524
Other Benefits	1,800	2,100	(300)
Purchased Services	1,370	569	801
Supplies and Materials	2,065	1,196	869
Total Special Education	\$870,158	\$813,539	\$56,619
 <u>Compensatory Education</u>			
Salaries - Professional	234,358	195,856	38,502
Salaries - Non-Professional	230,144	233,584	(3,440)
Insurances	115,942	98,276	17,666
Fica, Retirement, Etc.	110,733	88,659	22,074
Other Benefits	4,920	3,975	945
Purchased Services	39,563	51,150	(11,587)
Supplies and Materials	36,875	25,064	11,811
Other	1,850	5,434	(3,584)
Total Compensatory Education	\$774,385	\$701,998	\$72,387

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>INSTRUCTION</u> (Continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>ADULT EDUCATION</u>			
Salaries - Professional	\$18,315	\$18,315	\$0
Fica, Retirement, Etc.	3,780	3,780	0
Total Adult Education	\$22,095	\$22,095	\$0
 <u>Total Added Needs</u>	 \$1,666,638	 \$1,537,632	 \$129,006
 <u>Total Instruction</u>	 \$10,820,541	 \$10,583,208	 \$237,333
 <u>SUPPORT SERVICES</u>			
<u>STUDENT SERVICES</u>			
Salaries - Professional	551,787	545,444	6,343
Salaries - Non-Professional	22,579	23,117	(538)
Insurances	115,149	112,719	2,430
Fica, Retirement, Etc.	120,023	117,091	2,932
Other Benefits	4,680	4,440	240
Purchased Services	7,500	8,950	(1,450)
Supplies and Materials	2,800	1,784	1,016
Capital Outlay	0	2,689	(2,689)
Other	1,650	0	1,650
Total Student Services	\$826,168	\$816,234	\$9,934
	\$1,062,763	(236,595)	
 <u>INSTRUCTIONAL STAFF</u>			
Salaries - Professional	256,153	250,902	5,251
Salaries - Non-Professional	165,032	171,279	(6,247)
Insurances	84,680	86,789	(2,109)
Fica, Retirement, Etc.	78,727	82,337	(3,610)
Other Benefits	12,900	7,292	5,608
Purchased Services	120,187	133,903	(13,716)
Supplies and Materials	38,062	36,113	1,949
Capital Outlay	8,420	14,930	(6,510)
Other	20,350	9,950	10,400
Total Instructional Staff	\$784,511	\$793,495	(\$8,984)
 <u>GENERAL ADMINISTRATION</u>			
Salaries - Professional	112,322	116,502	(4,180)
Salaries - Non-Professional	56,706	66,006	(9,300)
Insurances	24,199	24,365	(166)
Fica, Retirement, Etc.	35,100	28,955	6,145
Other Benefits	15,300	257	15,043
Purchased Services	97,500	119,931	(22,431)
Supplies and Materials	10,875	7,417	3,458
Capital Outlay	1,100	30	1,070
Other	24,600	14,703	9,897
Total General Administration	\$377,702	\$378,166	(\$464)

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>SUPPORT SERVICES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SCHOOL ADMINISTRATION</u>			
Salaries - Professional	\$501,949	\$507,970	(\$6,021)
Salaries - Non-Professional	259,173	253,861	5,312
Insurances	202,097	178,144	23,953
Fica, Retirement, Etc.	158,906	149,577	9,329
Other Benefits	7,602	6,225	1,377
Purchased Services	103,660	100,692	2,968
Supplies and Materials	36,200	34,046	2,154
Capital Outlay	9,800	5,548	4,252
Other	16,250	11,545	4,705
Total School Administration	\$1,295,637	\$1,247,608	\$48,029
<u>BUSINESS OFFICE</u>			
Salaries - Professional	107,115	105,949	1,166
Salaries - Non-Professional	500	2,000	(1,500)
Insurances	31,082	30,126	956
Fica, Retirement, Etc.	20,060	19,888	172
Other Benefits	5,082	3,424	1,658
Purchased Services	24,000	10,077	13,923
Supplies and Materials	4,100	1,994	2,106
Capital Outlay	3,500	3,236	264
Other	81,615	41,525	40,090
Total Business Office	\$277,054	\$218,219	\$58,835
<u>OPERATION AND MAINTENANCE OF PLANT</u>			
Salaries - Non-Professional	514,453	560,064	(45,611)
Insurances	194,977	166,316	28,661
Fica, Retirement, Etc.	109,081	117,403	(8,322)
Other Benefits	4,350	4,950	(600)
Purchased Services	231,955	200,950	31,005
Supplies and Materials	517,000	358,163	158,837
Capital Outlay	80,000	71,771	8,229
Other	1,800	1,237	563
Total Operation and Maintenance of Plant	\$1,653,616	\$1,480,854	\$172,762
<u>TRANSPORTATION</u>			
Salaries - Professional	42,834	41,240	1,594
Salaries - Non-Professional	487,421	487,328	93
Insurances	206,683	246,692	(40,009)
Fica, Retirement, Etc.	118,997	111,491	7,506
Other Benefits	7,200	5,850	1,350
Purchased Services	63,458	25,294	38,164
Supplies and Materials	153,010	244,522	(91,512)
Capital Outlay	52,600	52,594	6
Other	1,800	928	872
Total Transportation	\$1,134,003	\$1,215,939	(\$81,936)

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

<u>SUPPORT SERVICES</u> (Continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>OTHER SUPPORT SERVICES</u>			
Salaries - Professional	\$9,000	\$2,500	\$6,500
Salaries - Non-Professional	78,000	80,249	(2,249)
Insurances	11,861	12,986	(1,125)
Fica, Retirement, Etc.	18,307	19,386	(1,079)
Other Benefits	1,500	150	1,350
Purchased Services	53,900	54,394	(494)
Supplies and Materials	22,000	24,171	(2,171)
Capital Outlay	4,000	8,570	(4,570)
Other	1,000	0	1,000
Total Other Support Services	<u>\$199,568</u>	<u>\$202,406</u>	<u>(\$2,838)</u>
<u>Total Support Services</u>	\$6,548,259	\$6,352,921	\$195,338
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	1,000	0	1,000
Salaries - Non-Professional	34,573	33,557	1,016
Insurances	619	349	270
Fica, Retirement, Etc.	8,109	7,442	667
Other Benefits	1,052	900	152
Purchased Services	17,385	27,190	(9,805)
Supplies and Materials	2,300	353	1,947
Other	330	95	235
Total Community Services	<u>\$65,368</u>	<u>\$69,886</u>	<u>(\$4,518)</u>
<u>TOTAL EXPENDITURES</u>	\$17,434,168	\$17,006,015	\$428,153
<u>OTHER FINANCING USES</u>			
Transfer to Other Governmental Units	9,436	22,890	(13,454)
Tax Chargebacks	41,200	41,187	13
Loan Payments	156,019	183,634	(27,615)
Transfers to Other Funds	381,238	382,294	(1,056)
Other Transactions	136,137	272,704	(136,567)
<u>TOTAL OTHER FINANCING USES</u>	<u>\$724,030</u>	<u>\$902,709</u>	<u>(\$178,679)</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$18,158,198</u>	<u>\$17,908,724</u>	<u>\$249,474</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Art	\$164	\$597	\$352	\$409
Athletic Administration	453	9,814	9,874	393
Athletic Pop Fund	8,713	22,493	15,653	15,553
Band	10,666	37,149	44,899	2,916
Baseball	(9)	355	355	(9)
Beatrice Presley Reec	1,531	14	1,000	545
Beverage Consortium	36,395	15,825	15,535	36,685
Borland Awards	403	14	46	371
Borland Candy/PTA	151	14	0	165
Borland Enrichment	0	1,646	1,646	0
Borland Field Trip	809	5,420	6,072	157
Borland General	13,521	2,942	6,913	9,550
Borland Latchkey	0	1,442	967	475
Borland Library	4,840	147	0	4,987
Borland Photo	6,663	1,549	0	8,212
Borland Pop	301	200	0	501
Boys Golf	0	142	0	142
Bus Garage/Transportation	260	1,250	632	878
Cheerleading - HS	435	3,659	3,890	204
Class of 2002	385	0	385	0
Class of 2003	826	14	725	115
Class of 2004	1,292	1,759	2,060	991
Class of 2005	1,796	19,650	20,378	1,068
Class of 2006	5	3,348	2,801	552
Class of 2007	0	3,351	2,118	1,233
Close Up	1,202	14	0	1,216
Counseling	650	3,388	3,460	578
Dance Team	10	0	10	0
Devin Faden Memorial	4,549	55	200	4,404
Drama Club	461	3,700	3,093	1,068
Drivers Education	46	24	0	70
ECO-Outreach Club	103	14	0	117
Football	3,822	4,269	4,089	4,002
French Club	1,168	14	35	1,147
Gifted & Talented	789	192	330	651
Girls Tennis	12	14	0	26
Golf	728	1,528	995	1,261
HS Athletic Program	1,902	3,678	2,994	2,586
HS Humanities	259	14	0	273
HS Library	239	14	63	190
HS Social Studies	108	0	108	0
HS Yearbook	1,243	49,377	45,139	5,481
ICCS Alchemy-Science Clut	512	14	0	526
ICCS Alumni Assoc.	1,796	3,271	2,141	2,926
ICCS Choir	7,360	2,768	5,004	5,124
Subtotal	\$116,559	\$205,142	\$203,962	\$117,739

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS
	JULY 1, 2003			JUNE 30, 2004
In & Out	\$4,246	\$13,097	\$16,843	\$500
Interest	0	4,399	3,937	462
Life Skills	133	3,089	3,222	0
Little League B-Ball	199	5,240	5,183	256
Morgan's Xmas Service	0	4,393	4,393	0
MS Cheerleading	354	2,832	3,156	30
MS Class Trip	1,800	41,187	41,084	1,903
MS Close Up	2,167	42	212	1,997
MS Enrichment	1,380	6,836	471	7,745
MS General	3,485	15,174	16,306	2,353
MS Girls Softball	391	14	0	405
MS Library	415	3,697	3,917	195
MS Pop	4,374	3,570	6,326	1,618
MS Pride Committee	662	291	676	277
MS Student Council	2,068	12,564	11,712	2,920
MS Student Success	1,967	2,162	1,524	2,605
MS Yearbook	2,791	7,316	9,963	144
NHS	1,313	2,651	3,055	909
Pat Buckingham Memorial	317	14	0	331
Pop/Gift Fund	1,032	1,112	1,490	654
Pre-Vocational	412	14	387	39
Project Graduation	0	8,946	8,665	281
Project Heritage	257	14	0	271
Quiz Bowl	0	138	79	59
Readiness	492	911	96	1,307
Renaissance	47	14	0	61
SADD	1,274	192	510	956
Ski Club	103	3,671	3,403	371
Spanish Club	661	22,479	22,330	810
Spartan Voice	1,407	27	0	1,434
Sr High General	3,566	6,777	7,742	2,601
Student Council	2,568	4,102	4,884	1,786
Summer Sports Camp	126	14	0	140
Tennis	99	14	0	113
Theatrical Starz	1,260	0	1,260	0
Venture High School	4,845	4,738	1,665	7,918
Volleyball	817	5,333	5,452	698
Weston General	4,924	19,512	17,066	7,370
Weston Kindergarten Snacks	127	14	0	141
Weston Library	646	99	14	731
Weston Pop	1,575	237	440	1,372
Wrestling	418	14	0	432
TOTALS	\$171,277	\$412,082	\$411,425	\$171,934

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2004

CAPITAL ACQUISITION BONDS - ISSUED NOVEMBER 26, 1991

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2005	\$363,706	\$363,706	6.600%	\$522,587	\$1,249,999
2006	420,028	420,028	6.650%	534,944	1,375,000
<u>TOTAL</u>	<u>\$783,734</u>	<u>\$783,734</u>		<u>\$1,057,531</u>	<u>\$2,624,999</u>

The bond issue was for the purpose of erecting, furnishing, and equipping a new high school; partially remodeling the existing high school for middle school purposes; erecting additions to the existing elementary schools; developing and improving sites and to advance refund the district's March 1, 1991 building and site bonds.

REFUNDING BONDS - ISSUED FEBRUARY 1, 1994

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$0	\$414,495	4.900%	\$640,000	\$1,054,495
2007-2008	398,815	398,815	5.000%	775,000	1,572,630
2008-2009	379,440	379,440	5.050%	835,000	1,593,880
2009-2010	358,356	358,356	5.100%	985,000	1,701,712
2010-2011	333,239	333,239	5.150%	1,155,000	1,821,478
2011-2012	303,498	303,498	5.200%	1,335,000	1,941,996
2012-2013	268,788	268,788	5.250%	1,530,000	2,067,576
2013-2014	228,625	228,625	5.300%	1,750,000	2,207,250
2014-2015	182,250	182,250	5.400%	1,985,000	2,349,500
2015-2016	128,655	128,655	5.400%	2,245,000	2,502,310
2016-2017	68,040	68,040	5.400%	2,520,000	2,656,080
<u>TOTAL</u>	<u>\$2,649,706</u>	<u>\$3,064,201</u>		<u>\$15,755,000</u>	<u>\$21,468,907</u>

The bond issue was to advance refund capital appreciation bonds issued November 26, 1991.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2004

REFUNDING BONDS - ISSUED JANUARY 1, 1997

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2004-2005	\$207,889	\$207,888	5.000%	\$30,000	\$445,777
2005-2006	207,139	207,138	5.000%	35,000	449,277
2006-2007	206,263	206,264	5.000%	35,000	447,527
2007-2008	205,389	205,389	5.100%	35,000	445,778
2008-2009	204,496	204,496	5.200%	40,000	448,992
2009-2010	203,456	203,456	5.300%	40,000	446,912
2010-2011	202,396	202,396	5.400%	45,000	449,792
2011-2012	201,181	201,181	5.450%	45,000	447,362
2012-2013	199,955	199,955	5.500%	45,000	444,910
2013-2014	198,718	198,718	5.500%	50,000	447,436
2014-2015	197,343	197,343	5.600%	50,000	444,686
2015-2016	195,943	195,943	5.600%	55,000	446,886
2016-2017	194,403	194,403	5.600%	60,000	448,806
2017-2018	192,722	192,723	5.600%	1,600,000	1,985,445
2018-2019	147,923	147,923	5.625%	1,700,000	1,995,846
2019-2020	100,110	100,110	5.625%	1,700,000	1,900,220
2020-2021	52,298	52,298	5.700%	1,835,000	1,939,596
<u>TOTAL</u>	<u>\$3,117,624</u>	<u>\$3,117,624</u>		<u>\$7,400,000</u>	<u>\$13,635,248</u>

The bond issue was to advance refund Building and Site Bonds issued November 26, 1991.

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$325,344

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
2005	\$0	4.761353%	\$0	\$0
2006	7,099	4.761353%	15,748	22,847
2007	6,349	4.761353%	16,494	22,843
2008	5,564	4.761353%	17,283	22,847
2009	4,741	4.761353%	18,106	22,847
2010	3,879	4.761353%	18,968	22,847
2011	29,184	4.761353%	78,629	107,813
2012	2,029	4.761353%	20,816	22,845
2013	1,038	4.761353%	21,807	22,845
<u>TOTAL</u>	<u>\$59,883</u>		<u>\$207,851</u>	<u>\$267,734</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2004

ENERGY CONSERVATION IMPROVEMENT BONDS - ISSUED JUNE 24, 1999

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2004-2005	\$12,695	\$12,695	4.450%	\$100,000	\$125,390
2005-2006	10,470	10,470	4.550%	105,000	125,940
2006-2007	8,081	8,081	4.650%	110,000	126,162
2007-2008	5,524	5,524	4.650%	115,000	126,048
2008-2009	2,850	2,850	4.750%	120,000	125,700
<u>TOTAL</u>	<u>\$39,620</u>	<u>\$39,620</u>		<u>\$550,000</u>	<u>\$629,240</u>

2003 GENERAL OBLIGATION BUILDING & SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2004-2005	\$162,191	\$162,191	2.000%	\$140,000	\$464,382
2005-2006	160,791	160,791	2.000%	145,000	466,582
2006-2007	159,341	159,341	2.500%	150,000	468,682
2007-2008	157,466	157,466	3.000%	160,000	474,932
2008-2009	155,066	155,066	3.000%	165,000	475,132
2009-2010	152,591	152,591	3.500%	170,000	475,182
2010-2011	149,616	149,616	3.550%	180,000	479,232
2011-2012	146,421	146,421	3.650%	185,000	477,842
2012-2013	143,045	143,045	3.750%	195,000	481,090
2013-2014	139,389	139,389	3.850%	200,000	478,778
2014-2015	135,539	135,539	4.000%	210,000	481,078
2015-2016	131,339	131,339	4.050%	220,000	482,678
2016-2017	126,884	126,884	4.150%	230,000	483,768
2017-2018	122,111	122,111	4.250%	240,000	484,222
2018-2019	117,011	117,011	4.350%	250,000	484,022
2019-2020	111,574	111,574	4.450%	265,000	488,148
2020-2021	105,678	105,678	4.500%	275,000	486,356
2021-2022	99,490	99,490	4.550%	290,000	488,980
2022-2023	92,893	92,893	4.600%	305,000	490,786
2023-2024	85,878	85,878	4.650%	315,000	486,756
2024-2025	78,554	78,554	4.650%	335,000	492,108
2025-2026	70,765	70,765	4.800%	350,000	491,530
2026-2027	62,365	62,365	4.800%	370,000	494,730
2027-2028	53,485	53,485	4.800%	390,000	496,970
2028-2029	44,125	44,125	5.000%	410,000	498,250
2029-2030	33,875	33,875	5.000%	430,000	497,750
2030-2031	23,125	23,125	5.000%	450,000	496,250
2031-2032	11,875	11,875	5.000%	475,000	498,750
<u>TOTAL</u>	<u>\$3,032,483</u>	<u>\$3,032,483</u>		<u>\$7,500,000</u>	<u>\$13,564,966</u>

IMLAY CITY COMMUNITY SCHOOLS

IMLAY CITY, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 23, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Imlay City Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the Imlay City Community Schools' basic financial statements and have issued our report thereon dated July 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Imlay City Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Imlay City Community Schools, in a separate letter dated July 23, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Imlay City Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Imlay City Community Schools, in a separate letter dated July 23, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 23, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Imlay City Community Schools

Compliance

We have audited the compliance of Imlay City Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Imlay City Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Imlay City Community Schools' management. Our responsibility is to express an opinion on Imlay City Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Imlay City Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Imlay City Community Schools' compliance with those requirements.

In our opinion, Imlay City Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Imlay City Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Imlay City Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Imlay City Community Schools

Page 2

July 23, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Program	10.559		
Summer Migrant Food Program		N/A	\$36,590
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies	84.010		
ESEA Title I - Regular (03-04)		41530-0304	229,538
Migrant Education	84.011		
Migrant Education - Regular (03-04)		41890-0304	71,668
Migrant Education - Summer Formula (03-04)		31830-2003	123,650
Total Migrant Education			\$195,318
Innovative Education Programs	84.298		
Title V (03-04)		40250-0304	1,823
Technology Literacy Grants	84.318		
Technology Literacy Grants (03-04)		44290-0304	5,549
English Language Acquisition Grants	84.365A		
Limited English Proficient (03-04)		30580-0304	12,834
Title IIA	84.367		
Improving Teacher Quality (03-04)		40520-0304	85,885
Improving Teacher Quality (02-03)		030520-0203	83,665
Total Title IIA			\$169,550
Total Passed Through the Michigan Department of Education			\$614,612
Passed Through Lapeer Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (03-04)		40450-0304	93,663
Capacity Building Grant (03-04)		40490-CB	3,456
Transition Services and Coordination Grant (03-04)		40490-30TS	280
Total Special Education - Grants to States			\$97,399
Special Education - Preschool Grants	84.173		
IDEA Preschool (03-04)		40460-0304	12,482
Total Passed Through Lapeer Intermediate School District			\$109,881

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$36,590	\$0	\$36,590	\$0
0	0	229,538	0	229,538	0
0	0	71,668	0	71,668	0
0	0	123,650	0	123,650	0
\$0	\$0	\$195,318	\$0	\$195,318	\$0
0	0	1,823	0	1,823	0
0	0	4,028	0	4,028	0
0	0	12,834	0	12,834	0
0	0	75,501	0	75,501	0
9,848	54,048	29,617	0	39,465	0
\$9,848	\$54,048	\$105,118	\$0	\$114,966	\$0
\$9,848	\$54,048	\$548,659	\$0	\$558,507	\$0
0	0	93,663	0	93,663	0
0	0	3,456	0	3,456	0
0	0	280	0	280	0
\$0	\$0	\$97,399	\$0	\$97,399	\$0
0	0	12,482	0	12,482	0
\$0	\$0	\$109,881	\$0	\$109,881	\$0

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Genesee Intermediate School District:			
Safe & Drug Free Schools	84.186		
Drug Free Schools (03-04)		42860-0304	\$2,600
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$727,093
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	43,609
Bonus Commodities		N/A	6,594
Total Commodities			\$50,203
School Breakfast Program	10.553	N/A	55,985
National School Lunch Program	10.555	N/A	248,820
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$355,008
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Lapeer Intermediate School District			
Medical Assistance Program Title XIX	93.778		
Medicaid Transportation		N/A	1,001
Medicaid Transportation		N/A	1,458
Total Medical Assistance Program Title XIX			\$2,459
Passed Through Northeast Michigan Community Services Agency, Inc. (NEMCSA)			
Head Start	93.600	N/A	18,171
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			\$20,630
<u>TOTAL FEDERAL AWARDS</u>			\$1,139,321

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$2,600	\$0	\$2,600	\$0
\$9,848	\$54,048	\$661,140	\$0	\$670,988	\$0
0	0	43,609	0	43,609	0
0	0	6,594	0	6,594	0
\$0	\$0	\$50,203	\$0	\$50,203	\$0
0	0	55,985	0	55,985	0
0	0	248,820	0	248,820	0
\$0	\$0	\$355,008	\$0	\$355,008	\$0
14	1,001	0	0	14	0
0	0	1,458	0	1,350	108
\$14	\$1,001	\$1,458	\$0	\$1,364	\$108
0	0	18,171	0	18,171	0
\$14	\$1,001	\$19,629	\$0	\$19,535	\$108
\$9,862	\$55,049	\$1,072,367	\$0	\$1,082,121	\$108

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

\$1,072,367

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund

\$662,598

School Service Fund

409,769

TOTAL

\$1,072,367

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$880,546
<u>Less:</u> State Funded Grants		
Driver Education	(\$6,529)	
State Breakfast Programs	(10,705)	
Total State Funded Grants		(17,234)
<u>Add:</u> Passed Through Lapeer Intermediate School District:		
Special Education (CFDA 84.027)	\$97,399	
IDEA Preschool (CFDA 84.173)	12,482	
Total Passed Through Lapeer Intermediate School District		109,881
Passed Through Genesee Intermediate School District:		
Safe & Drug Free Schools (CFDA 84.186)		2,600
Passed Through Lapeer Intermediate School District:		
Medicaid Outreach Administrative Claims (CFDA 93.778)		1,364
Direct U.S. Department of Agriculture Program		
Summer Migrant Food Program (CFDA 10.559)		36,590
Passed Through NEMCSA		
Head Start (CFDA 93.600)		18,171
Entitlement and Bonus Commodities (CFDA 10.550)		50,203
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>		<u>\$1,082,121</u>

IMLAY CITY COMMUNITY SCHOOLS- IMLAY CITY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
10.553/ 10.555/ 10.559

Name of Federal Program or Cluster
Nutrition Cluster

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Qualified as low-risk auditee?

☒ Yes ☐ No

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 23, 2004

To the Board of Education of
Imlay City Community Schools

In planning and performing our audit of the general purpose financial statements of Imlay City Community Schools for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Imlay City Community Schools' ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items of immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, Imlay City Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Inter-District Billing

The District's Food Service Fund should be reimbursing the General Fund on at least a monthly basis for payroll and fringe benefits. The current practice is an annual reimbursement.

3. Food Service Equity

The Michigan Department of Education and Federal grant regulators state that "a District" shall limit its school breakfast and lunch fund net cash resources to an amount that does not exceed three months average expenditures. The District should review its plans for the current food service fund equity.

FUTURE ISSUES

1. Chart of Accounts

As you may be aware of, the Center for Educational Performance and Information (CEPI) has implemented a new upload application/database for financial reporting for districts. This new application/database is called the Financial Information Database (FID). For the fiscal year 2003 – 2004 you will be required to submit your financial data via the FID. The EDN/Form B submission process has been eliminated and is no longer available. The due date for the 2003 – 2004 FID submission is November 15, 2004.



Imlay City Community Schools
Page 2
July 23, 2004

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Imlay City Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS